

Intellectual property rights protection and cross-border R&D investments by multinational enterprises

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VALORIZATION ADDENDUM

In accordance with article 22.5 of the “Regulation governing the attainment of doctoral degrees at Maastricht University”, this addendum discusses valorization opportunities of the dissertation regarding “social and/or economic relevance” of the research results.

This dissertation explores relationships between intellectual property right (IPR) regimes across countries and cross-border R&D investments by multinational enterprises (MNEs) taking a variety of perspectives. Our findings have not only important academic implications but also implications for policy makers, MNE managers and IP practitioners. First of all, given that policy makers are interested in attracting foreign R&D investments in their countries, this research will provide useful information that policy makers should consider when they design policies for inducing R&D investments by MNEs. To be specific, our results suggest that developing countries with weak IPR regimes may target foreign firms that are based in emerging countries, that operate in technology domains with more complex and codified knowledge, or that adopt internal linkage strategies in their R&D operations. However, at the same time, our findings address an important caveat: attracting only these firms with restrictive practices aimed at limiting knowledge leakages may not generate major knowledge spillovers from local R&D operations. Likewise, enhancing IPR protection in a country may pose an important trade-off between attracting foreign R&D investments to a greater extent, and a lower likelihood that each of these investments produces substantial knowledge spillovers to the local economy. While developing countries that are lagging far behind the IPR protection frontier still have opportunities to attract foreign investments in R&D by strengthening IPR protection, our research also predicts that ongoing IPR policy convergence in the global economy may gradually reduce the importance of IPR policies in attracting MNEs’ R&D investments.

Second, policy makers should take into account the extent of inter-firm mobility of R&D employees in their countries when establishing IPR policies. We find that patent rights may not be sufficient to attract foreign R&D investments if the country has substantial inter-firm mobility of engineers and scientists. Hence, regulations on trade secrets protection (e.g., enforcement of anti-competition clauses in employment contracts) play a complementary role in attracting MNEs’ R&D investments. Again, such policies are associated with the trade-off between inward R&D investments and foreign knowledge spillovers, as inter-firm mobile R&D employees are major conduits of knowledge diffusion between firms. In this regard, assessing the net spillover

benefits of trade secret protection policies in terms of this trade-off is important to provide proper policy guidance.

The dissertation also provides important managerial implications, especially for MNEs performing R&D activities in emerging economies or planning to increase global R&D investments. We provide direct evidence that firms' cross-country internal linkage in R&D is an effective IP strategy in order to restrict knowledge leakages abroad. Furthermore, we have shown the conditions under which such linkage strategies operate more efficiently. These findings provide useful insights for MNEs about when they should consider to adopt or more widely apply internal linkage strategies. Our methods to measure internal linkage strategy, and technology characteristics based on patent data could be utilized not only by academic researchers but also by IP practitioners.

The findings in this dissertation have already been presented at international conferences and workshops during the course of the research. The findings in Chapter 2 were presented at the 5th Technology & Innovation Community meeting (Leuven, 2017) and the 4th Geography of Innovation Conference (Barcelona, 2018). Chapter 3 was presented at the Strategy Science Conference Doctoral Workshop (Philadelphia, 2018) and the International Schumpeter Society Conference (Seoul, 2018). Chapter 4 was presented at the IP Statistics for Decision Makers conference (Alicante, 2018) and the III Workshop on Innovation and Firm Performance (Reus, 2019). These conferences were also attended by IP practitioners. The findings will still be presented at other relevant conferences and workshops in the near future.